

STATEWIDE LEASING

FINANCIAL SUMMARY

	FY 2004 EXPENDITURE	FY 2005 APPROPRIATION	FY 2006 REQUEST	GOVERNOR RECOMMENDS FY 2006
Department of Elementary & Secondary Education	\$ 2,965,688	\$ 3,237,584	\$ 2,993,277	\$ 2,993,277
Department of Higher Education	240,284	282,232	246,062	246,062
Department of Revenue	1,813,685	2,163,707	2,032,470	1,676,523
Office of Administration	259,554	287,622	343,369	343,369
Department of Agriculture	318,793	386,826	338,686	338,686
Department of Natural Resources	2,102,786	2,296,355	2,000,465	2,000,465
Department of Economic Development	2,658,284	3,169,589	2,714,410	2,714,410
Department of Insurance	8,280	13,311	8,461	8,461
Department of Labor and Industrial Relations	743,467	919,887	770,114	770,114
Department of Public Safety	1,742,449	2,841,757	2,344,147	2,344,147
Department of Corrections	6,003,432	6,537,496	6,225,623	6,225,623
Department of Mental Health	2,438,633	2,689,400	2,378,993	2,378,993
Department of Health and Senior Services	3,537,959	3,831,858	3,827,589	3,827,589
Department of Social Services	16,800,050	18,699,718	16,594,162	16,594,162
Elected Officials	937,944	1,095,664	840,984	840,984
Judiciary	825,155	1,960,328	2,169,510	2,169,510
Operating Budget Transfer	0	3	3	3
TOTAL	\$ 43,396,443	\$ 50,413,337	\$ 45,828,325	\$ 45,472,378
General Revenue Fund	25,084,261	27,429,258	27,000,165	26,587,109
Federal Funds	13,043,365	17,068,557	13,958,536	13,958,536
Other Funds	5,268,817	5,915,522	4,869,624	4,926,733

POLICY SUMMARY

The state leases 476 facilities including offices, warehouses, parking, schools, labs, and other structures totaling over four million square feet to accommodate approximately 13,800 state employees. The Division of Facilities Management (DFM) in the Office of Administration is the state agency responsible for procurement and management of the leases, as well as facility oversight, payment processing, and budgeting for all state agencies except the Departments of Conservation, Transportation, and the General Assembly. The State of Missouri uses negotiation and competitive public bids to acquire leased space.

Competitive Lease Rates and Space Consolidation Efforts

The Fiscal Year 2006-2007 biennial leasing budget includes core reductions due in part to competitive lease rates and space savings achieved through lease consolidation. The statewide leasing obligation for real property leases is requested in a biennial central appropriations bill allowing DFM to efficiently procure leased space. Consolidation of state agencies within owned and leased space facilities and termination of leases that are underutilized as a result of downsizing remains a high priority for DFM. In addition, further consolidation of warehousing continues statewide, including consolidation of Jefferson City warehouses at the old Missouri State Penitentiary site.

Reduced Rental Rates and Leasing Costs

DFM continues to review expiring leases and negotiate with existing landlords to reduce rental rates. DFM will continue to negotiate buyouts of some lease contracts to avoid long-term costs.

Benchmarking

DFM conducts benchmark comparisons with the Federal General Services Administration (GSA) and other state governments to ensure that the State of Missouri rates are competitive. The State of Missouri rental rates are comparable or below GSA and other state rates.

STATEWIDE LEASING

POLICY SUMMARY (Continued)

Lease Contract Requirements and Lease vs. Buy Analysis

DFM is reviewing lease specifications and contract requirements in order to maximize the state's flexibility and adaptation to changing governmental requirements. Lease vs. Buy analyses are also currently being conducted for several leased facilities to determine whether to continue to lease, purchase, or obtain purchase options. DFM will continue to involve private real estate consultants to ensure efficient space utilization, an appropriate ratio of owned vs. leased space, and to assist in ensuring the best possible real estate practices and costs.

Market Rate Analysis

Market Analyses by real estate consultants have been conducted of comparable rental rates in various areas of the state. The State of Missouri lease rates are below the market rates:

<u>LOCATION</u>	<u>MARKET RANGE*</u>	<u>STATE OF MISSOURI RATES**</u>
Metro: (Kansas City, Jackson County, & St. Louis City)	\$16.10 - \$25.75	\$8.33 - \$19.75
St. Louis County	\$14.70 - \$21.05	\$8.58 - \$20.50
Large City (Columbia, Joplin, Jefferson City, Springfield, St. Charles, St. Joseph, & Cape Girardeau)	\$15.20 - \$17.00	\$6.00 - \$15.46
Outstate (Kirksville, Mexico, Poplar Bluff, Hillsboro, Warrensburg, Maryville, and Rolla)	\$14.20 - \$17.75	\$5.63 - \$11.66

*Full service rates including tenant improvements as of November, 2004.

**Base/Full service rates including tenant improvements as of July, 2004.

Based on this market analysis, the Fiscal Year 2006-2007 biennial leasing budget was developed using the following per square foot budget factors for expiring leases:

<u>MARKET AREA</u>	<u>BUDGET FACTOR</u>
Metro	\$15.00
St. Louis County	\$17.85
Large City	\$11.50
Outstate	\$10.30

REALLOCATION OF CORE DOLLARS AND CENTRALIZED APPROPRIATION

For the Fiscal Year 2006-2007 biennium, DFM has redirected core dollars for all continuing lease requirements; thereby, eliminating the need for any new money in the leasing budget, including that needed to comply with Amendment 3 adopted by the voters to restrict the use of highway funds.

DFM works closely with state agencies on requests to obtain space for program needs in a cost-effective manner. A space analysis ensures compliance with established standards and use of space. Construction inspectors perform on-site inspections to ensure compliance with building codes and applicable laws. In addition to the centralized procurement process, the state's leasing obligations are identified in a single appropriation bill. The centralized appropriation allows for improved management of leasing costs, accountability of leasing operations, and reporting of the state's leasing activities.

Beginning in Fiscal Year 2002 the Missouri budget began using a biennial appropriations process for statewide leasing. As with the capital improvements appropriation bill, a biennial process permits the state to more economically manage leased facilities and the leasing procurement process.

The Fiscal Year 2006-2007 biennial leasing budget includes a contingency appropriation for rent shortfalls. It is critical to have a rent shortfall contingency appropriation in the leasing biennial budget so that the state does not default on payment of rent.

STATEWIDE LEASING

POLICY SUMMARY (Continued)

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

The Department of Elementary and Secondary Education occupies 40 leased facilities totaling over 251,000 square feet. Lease contracts are at locations statewide and include offices, warehouses, and parking for the Divisions of Vocational Rehabilitation and Disability Determination and State Schools for the Severely Handicapped.

Fiscal Year 2006 Governor's Recommendations

- (\$188,815) core reduction from the Fiscal Year 2005 appropriation level, including (\$1,700) general revenue.
- (\$55,492) reallocated to various departmental leasing budgets, including (\$13,365) general revenue.

DEPARTMENT OF HIGHER EDUCATION

The Department of Higher Education occupies two leased facilities totaling approximately 25,000 square feet in Jefferson City for the purpose of housing staff and operations for the Coordinating Board for Higher Education.

Fiscal Year 2006 Governor's Recommendations

- \$2,118 transferred from the Department of Higher Education's operating budget, including \$480 general revenue.
- (\$19,342) federal and other funds core reduction from the Fiscal Year 2005 appropriation level.
- (\$18,946) reallocated to various departmental leasing budgets, including (\$18,658) general revenue.

DEPARTMENT OF REVENUE

The Department of Revenue occupies 24 leased facilities totaling over 152,500 square feet. Leases include offices, warehouses, and parking statewide for Motor Vehicle and Drivers Licensing offices, the State Lottery Commission, the State Tax Commission, and other divisions.

Fiscal Year 2006 Governor's Recommendations

- \$690,200 reallocated from various departmental leasing budgets.
- (\$1,120,373) core reduction from the Fiscal Year 2005 appropriation level, including (\$427,300) general revenue.
- (\$57,011) other funds reallocated to various departmental leasing budgets.

OFFICE OF ADMINISTRATION

Beginning with the Fiscal Year 1995 budget, appropriations for leasing have been consolidated into one appropriation bill. The biennial budget approach has been used since Fiscal Year 2002. As part of the consolidated effort, all multi-tenant leases have been consolidated to the Office of Administration. Additionally, rent for the Divisions of General Services, Design and Construction, Facilities Management, Information Services, and the Ethics Commission is paid by the Office of Administration. The Office of Administration occupies 18 leases totaling 83,200 square feet.

Fiscal Year 2006 Governor's Recommendations

- \$124,096 reallocated from various departmental leasing budgets, including \$50,000 general revenue.
- (\$68,349) reallocated to various departmental leasing budgets, including (\$51,489) general revenue.

DEPARTMENT OF AGRICULTURE

The Department of Agriculture occupies ten leased facilities statewide totaling 29,000 square feet for the Divisions of Grain Inspection and Warehousing, Market Development, Plant Industries, and the State Milk Board.

Fiscal Year 2006 Governor's Recommendations

- (\$47,230) reallocated to various departmental leasing budgets, including (\$31,361) general revenue.
- (\$910) other funds core reduction from the Fiscal Year 2005 appropriation level.

STATEWIDE LEASING

POLICY SUMMARY (Continued)

DEPARTMENT OF NATURAL RESOURCES

The Department of Natural Resources occupies 19 leased facilities statewide totaling over 176,000 square feet for the Division of Energy, the Division of State Parks, and the regional offices of the Water Protection and Soil Conservation Division and the Air and Land Protection Division. Leases include offices, labs, and air monitoring sites.

Fiscal Year 2006 Governor's Recommendations

- (\$180,509) reallocated to the Department of Revenue's leasing budget.
- (\$115,381) federal funds core reduction from the Fiscal Year 2005 appropriation level.

DEPARTMENT OF ECONOMIC DEVELOPMENT

The Department of Economic Development occupies 44 leased facilities totaling over 242,000 square feet statewide for the Divisions of Workforce Development, Finance, Credit Unions, Tourism, Motor Carriers and Railroad Safety, Professional Registration, and the Public Service Commission. Leases include offices, warehouses, and parking.

Fiscal Year 2006 Governor's Recommendations

- \$9,824 transferred from the Department of Economic Development's operating budget, including \$8,126 general revenue.
- (\$294,703) reallocated to various departmental leasing budgets, including (\$26,812) general revenue.
- (\$170,300) core reduction from the Fiscal Year 2005 appropriation level, including (\$173) general revenue.

DEPARTMENT OF INSURANCE

The leasing budget includes funds for parking leases for the Department of Insurance.

Fiscal Year 2006 Governor's Recommendations

- (\$4,427) other funds reallocated to the Office of Administration's leasing budget.
- (\$423) other funds core reduction from the Fiscal Year 2005 appropriation level.

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

The Department of Labor and Industrial Relations occupies 31 leased facilities statewide totaling over 42,000 square feet for the Office of the Director; Commission on Human Rights; Labor Commission; State Board of Mediation; and the Divisions of Employment Security, Workers' Compensation, and Labor Standards.

Fiscal Year 2006 Governor's Recommendations

- \$34,355 federal funds transferred from the Department of Labor and Industrial Relations' operating budget.
- \$22,107 federal and other funds reallocated from various departmental leasing budgets.
- (\$145,947) reallocated to various departmental leasing budgets, including (\$51,511) general revenue.
- (\$39,050) federal and other funds core reduction from the Fiscal Year 2005 appropriation level.
- (\$21,238) transferred to the Department of Labor and Industrial Relations' operating budget.

STATEWIDE LEASING

POLICY SUMMARY (Continued)

DEPARTMENT OF PUBLIC SAFETY

The Department of Public Safety occupies 101 leased facilities totaling over 184,000 square feet statewide for the Missouri State Highway Patrol, the Adjutant General, and the Gaming Commission. Leases include offices, warehouses, armories, hangers, parking, and land.

Fiscal Year 2006 Governor's Recommendations

- \$92,356 reallocated from various departmental leasing budgets, including \$35,571 general revenue.
- \$53,213 transferred from the Department of Public Safety's operating budget, including \$2,889 general revenue.
- (\$526,475) core reduction from the Fiscal Year 2005 appropriation level, including (\$20,853) general revenue.
- (\$116,704) federal and other funds reallocated to various departmental leasing budgets.

DEPARTMENT OF CORRECTIONS

The Department of Corrections occupies 90 leased facilities totaling over 590,000 square feet statewide for the Office of the Director, the Board of Probation and Parole, and Missouri Vocational Enterprises.

Fiscal Year 2006 Governor's Recommendations

- \$52,100 other funds transferred from the Department of Corrections' operating budget.
- \$1,190 other funds reallocated from the Department of Economic Development's leasing budget.
- (\$219,069) reallocated to various departmental leasing budgets.
- (\$146,094) core reduction from the Fiscal Year 2005 appropriation level.

DEPARTMENT OF MENTAL HEALTH

The Department of Mental Health occupies 52 leased facilities totaling over 175,000 square feet statewide for the Office of the Director and the Divisions of Alcohol and Drug Abuse, Comprehensive Psychiatric Services, and Mental Retardation/Developmental Disabilities.

Fiscal Year 2006 Governor's Recommendations

- (\$267,460) reallocated to various departmental leasing budgets.
- (\$42,947) core reduction from the Fiscal Year 2005 appropriation level, including (\$15,971) general revenue.

DEPARTMENT OF HEALTH AND SENIOR SERVICES

The Department of Health and Senior Services occupies 110 leased facilities totaling over 380,000 square feet statewide for local and district offices to support its operations.

Fiscal Year 2006 Governor's Recommendations

- \$158,786 reallocated from various departmental leasing budgets, including \$83,291 general revenue.
- (\$154,325) core reduction from the Fiscal Year 2005 appropriation level, including (\$75,378) general revenue.
- (\$8,730) other funds reallocated to the Department of Public Safety's leasing budget.

STATEWIDE LEASING

POLICY SUMMARY (Continued)

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services occupies 180 leased facilities totaling over 1.4 million square feet statewide for the Divisions of Child Support Enforcement, Data Processing, Family Services, General Services, Legal Services, Medical Services, and Youth Services.

Fiscal Year 2006 Governor's Recommendations

- \$67,068 transferred from the Department of Social Services' operating budget, including \$43,383 general revenue.
- \$226 other funds reallocated from the Department of Revenue's leasing budget.
- (\$2,137,111) core reduction from the Fiscal Year 2005 appropriation level, including (\$323,230) general revenue.
- (\$35,739) reallocated to the Department of Revenue's leasing budget.

ELECTED OFFICIALS

The Legislature, Attorney General, State Auditor, and Secretary of State occupy 21 leased facilities statewide totaling over 85,000 square feet and include offices, warehouses, and parking.

Fiscal Year 2006 Governor's Recommendations

- \$82,353 federal funds transferred from the Attorney General's operating budget.
- \$9,925 reallocated from various departmental leasing budgets, including \$9,637 general revenue.
- (\$193,327) reallocated to various departmental leasing budgets, including (\$47,459) general revenue.
- (\$146,736) other funds transferred to the Attorney General's operating budget.
- (\$6,895) core reduction from the Fiscal Year 2005 appropriation level, including (\$3,536) general revenue.

JUDICIARY

The Judiciary occupies five leased facilities totaling over 95,000 square feet in Jefferson City and Springfield for the Office of State Courts Administrator and the Court of Appeals. Upon restoration of the facility, the Eastern District Court of Appeals will occupy over 50,000 square feet in the historic U.S. Custom House and Post Office in St. Louis.

Fiscal Year 2006 Governor's Recommendations

- \$185,107 transferred from the Judiciary's operating budget.
- \$75,978 reallocated from various departmental leasing budgets, including \$74,733 general revenue.
- (\$51,903) core reduction from the Fiscal Year 2005 appropriation level, including (\$46,661) general revenue.

OPERATING BUDGET TRANSFER

Statewide leasing appropriations can only be used for rent, systems furniture, and related services for leased facilities. This transfer mechanism allows monies to be transferred from the leasing budget to the operating budget when funds are needed in state-owned rather than leased facilities. All transfers are cost neutral.

Fiscal Year 2006 Governor's Recommendations

Continue funding at the current level.